MEMORANDUM

TO: Docket Control

FROM: Thomas M. Broderick
Director
Utilities Division

DATE: July 5, 2016

RE: STAFF REPORT FOR DATELAND WATER, LLC'S APPLICATION FOR AN INCREASE IN ITS RATES (DOCKET NO. W-20395A-16-0118)

Attached is the Staff Report for Dateland Water, LLC's application for an increase in its rates. Staff recommends approval of the rate application using Staff's recommended rates and charges.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before July 15, 2016.

TMB:TDP:nnr/ML

Originator: Tanya Pitre

Service List for: Dateland Water, LLC
Docket No. W-20395A-16-0118

Mr. Ben Thomas
Dateland Water, LLC
Post Office Box 98
Anacortes, Washington 98221

Mr. Thomas M. Broderick
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Dwight Nodes
Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

DATELAND WATER, LLC
DOCKET NO. W-20395A-16-0118

APPLICATION FOR AN INCREASE IN RATES

JULY 5, 2016

STAFF ACKNOWLEDGMENT

The Staff Report for Dateland Water, LLC. ("Company") Docket No. W-20395A-16-0118 was the responsibility of the Staff members listed below. Tanya Pitre was responsible for the review and analysis of the Company's application, recommended revenue requirement, rate base and rate design. Frank Smaila was responsible for the engineering and technical analysis. Michael Buck was responsible for reviewing customer complaints filed with the Commission.

FOR

Tanya Pitre
Public Utilities Analyst I

Frank Smaila
Utilities Engineer – Water/Wastewater

Michael Buck
Consumer Analyst I

EXECUTIVE SUMMARY
DATELAND WATER, LLC
DOCKET NO. W-20395A-16-0118

On January 11, 2016, Dateland Water, LLC ("Dateland" or "Company") filed an application with the Arizona Corporation Commission ("Commission"), Docket No. W-20395A-16-0004, for an emergency rate increase. Staff believed it was more appropriate for the Company to file a permanent rate application and the Company agreed and filed a motion to withdraw the emergency rate case application. On April 6, 2016, Dateland filed an application with the Commission for a permanent rate increase. Per procedural Order issued on April 21, 2016, the emergency rate case docket was closed. On May 9, 2016, Staff filed a letter deeming the permanent rate case application sufficient and classified the Company as a class E public service corporation.

Dateland is a class E for-profit Arizona public service corporation that provides water service to approximately 14 customers. The Company is providing service in an area located in the community known as Dateland, approximately 70 miles east of Yuma, 2-1/2 miles north of Interstate 8 and along Ave 64E in Yuma County.

Dateland proposed a revenue increase of $6,939 or 207.01 percent over test year revenues of $3,352 to $10,291. The Company proposed revenue increase would produce an operating loss of $3,026 resulting in a negative 29.40 percent operating margin. The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 1,100 gallons from $12.20 to $40.40, for an increase of $28.20, or 231.1 percent. The Company's proposed original cost rate base ("OCRB") is $66,556.

As discussed below, Staff is presenting the results of its analysis and the resulting rate increase recommendations under two Alternatives noted as Alternative A and Alternative B. The rate increase and rate design presented as Alternative A represent Staff's primary recommendation since this level of rate increase and resulting rate design gives consideration to concerns raised by the Company. The Schedules and support provided for Staff's Alternative B recommendations are included because the level of rate increase determined under the Alternative B issue/pro forma adjustment considerations provide details regarding the Company's rate base and actual operating results that may be helpful to understanding the actual financial position of this small water company.

Staff's analysis and attached Schedules support a recommended revenue increase of $12,098 or 360.92 percent over test year revenues of $3,352 to $15,450. Under this alternative referred to as alternative B in this Staff Report, Staff's recommended revenue increase would produce an operating income of $1,558 resulting in a 10.09 percent operating margin. Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 1,100 gallons from $12.20 to $45.70, for an increase of $33.50, or 274.6 percent. Staff recommends an OCRB of $67,623.

Because of the magnitude of level of rate increase supported by the attached Schedules, Staff discussed its preliminary findings with the Company. The Company expressed concerns about the rate impact of Staff's preliminary recommended rate increase and Staff took the Company's comments into consideration in reaching the ultimate rate recommendations being made to the Commission. As a result Staff's primary, Alternative A, recommendation would yield a cash flow of $1,583 and an operating margin of negative 19.10 percent as shown on Schedule TDP-1, Page 2. Staff was unable

to derive the revenue requirement by applying a rate of return on rate base because the Company's extremely low rate base did not produce sufficient revenues for the Company's operating needs.

Staff Recommends:

1. Approval of Staff's Alternative A recommended rates and charges as shown on Schedule TDP-4. Staff notes that the rate and charges on this Schedule are designed to generate Staff's alternative A rate increase recommendation.

2. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, per Arizona Administrative Code ("A.A.C.") Rule 14-2-409(D)(5).

3. The Company be ordered to file with Docket Control, as a compliance item in this Docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

4. That Dateland, as a compliance item in this case, notify its customers of the authorized rates and charges approved in this proceeding, and their effective date, in a form acceptable to Staff, by means of an insert in its next regularly scheduled billing and to file copies with Docket Control within 10 days of the date notice is sent to customers.

5. That the Company install a two inch master meter on the well pump discharge line in order to register gallons pumped and calculate water loss.

   Staff further recommends that Dateland monitor the water system for an additional 12-month period to prepare an updated water loss report. If the reported water loss is above 10 percent, Dateland shall submit a water loss reduction report containing a detailed analysis and plan to reduce its water loss to 10 percent or less. If Dateland believes it is not cost effective to reduce water loss to 10 percent or less, it shall submit a detailed cost benefit analysis to support its opinion. In no case shall Dateland allow water loss to be greater than 15 percent. The water loss reduction report or the detailed cost benefit analysis, if applicable, shall be docketed as a compliance item within 18 months from the effective date of an order issued in this proceeding.

   Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system water losses and repair all leaks when discovered and located.

6. An annual water testing expense of $910 be used for purposes of this application.

7. That the Company continue using the depreciation rates as delineated in Table 8 of the attached Engineering Report.

8. The service line and meter installation charges listed under "Staff's Recommended Charges" in Table 9 of the attached Engineering Report be adopted.

9. That Dateland file for a new CC&N that includes only the areas where the company is presently providing service and where the company has received a request for service and plans to provide service in the near future (See Section I.4, CC&N of the attached Engineering Report, for further discussion).

10. That the current moratorium on water service hookups be rescinded due to the Company's installation of treatment devices for arsenic and fluoride exceedances (See Section I.5, Moratorium of the attached Engineering Report, for further discussion).

11. If the Company chooses to retain the bulk water load-out station, Staff recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation from ADEQ indicating that the bulk water load-out station meets the criteria set forth in ADEQ Engineering Bulletin No. 10, Guidelines for the Construction of Water Systems, May 1978 ("Bulletin 10") (See Section I.6, Bulk Water Load-out Station, for further discussion).

    Staff further recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation that signage was placed at the bulk water load-out station stating "**NOT FOR POTABLE USE**".

    Staff further recommends that the Company install a master meter on the bulk water load-out station to accurately measure the bulk water sold.

12. If Dateland chooses not to retain the bulk water load-out station Staff recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that the Company severed the bulk water load-out station from the water system.

TABLE OF CONTENTS

SCHEDULES

ATTACHMENTS

FACT SHEET

Company Statistics:

Current rates: Decision No. 61370, dated January 29, 1999.

Type of ownership: Limited Liability Company ("LLC")

Location: Dateland is located approximately 70 miles east of Yuma, 2-1/2 miles north of Interstate 8 and along Ave 64E in Yuma County.

Rates:

Permanent rate increase application filed: April 6, 2016.
Current test year ended: December 31, 2015.
Application found Sufficient: May 9, 2016.

Monthly Charges:

	Current	Company Proposed	Staff Recommended-Alternative A
Minimum monthly charge:	Rates	Rates	Rates
5/8 x 3/4 inch meter	$10.00	$36.00	$38.00
Commodity charge (per 1,000 gallons):			
Per 1,000 for all usage	$2.00	$4.00	n/a
From 0 to 3,000 gallons	n/a	n/a	$7.00
From 3,001 to 9,000 gallons	n/a	n/a	7.50
9,000 gallons and over	n/a	n/a	8.00
Typical 5/8 inch meter residential bill:			
Average use (4,285 gallons)	$18.57	$53.14	$68.64
Median use (1,100 gallons)	12.20	40.40	45.70
Standpipe - Bulk Rates:			
Per 1,000 gallons	n/a	$6.00	$12.50

Customers:

The average number of customers serviced by Dateland during the test year ended December 31, 2015: 14

Customer notification:

The Company mailed a Customer Notification on April 4, 2016. The Affidavit of Mailing was docketed on April 6, 2016

Complaints and Opinions:

A review of Consumer Services database from January 1, 2013 to May 9, 2016, revealed the following:

2016 – Zero Complaints

2015 – One Complaint (Quality of Service)

2013 - 2014 - Zero Complaints

The 2015 complaint has been resolved and closed.

Opinions: 2016 - One opinion in favor of the rate case.

SUMMARY OF FILING

The test year results, as adjusted by Utilities Division Staff ("Staff"), for Dateland Water, LLC ("Dateland" or "Company") shows total operating revenue of $3,352 and an operating loss of $10,296 on an original cost rate base ("OCRB") of $67,623 for no rate of return as shown on Schedule TDP – 1, Page 1.

Dateland's proposed rates, as filed, would produce total operating revenue of $10,291 and an operating loss of $3,026, with a negative 29.40 percent operating margin for the Company. The Company's proposed rates would increase the typical 5/8 x 3/4 inch meter residential bill, with a median usage of 1,100 gallons from $12.20 to $40.40 for an increase of $28.20 or 231.1 percent as shown on Schedule TDP - 5.

As discussed below, Staff is presenting the results of its analysis and the resulting rate increase recommendations under two Alternatives noted as Alternative A and Alternative B. The rate increase and rate design presented as Alternative A represent Staff's primary recommendation since this level of rate increase and resulting rate design gives consideration to concerns raised by the Company. The Schedules and support provided for Staff's Alternative B recommendations are included because the level of rate increase determined under the Alternative B issue/pro forma adjustment considerations provide details regarding the Company's rate base and actual operating results that may be helpful to understanding the actual financial position of this small water company.

Staff's analysis and attached Schedules support a recommended revenue increase of $12,098 or 360.92 percent over test year revenues of $3,352 to $15,450. Under this alternative referred to as alternative B in this Staff Report, Staff's recommended revenue increase would produce an operating income of $1,558 resulting in a 10.09 percent operating margin. Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 1,100 gallons from $12.20 to $45.70, for an increase of $33.50, or 274.6 percent. Staff recommends an OCRB of $67,623.

Because of the magnitude of level of rate increase supported by the attached Schedules, Staff discussed its preliminary findings with the Company. The Company expressed concerns about the rate impact of Staff's preliminary recommended rate increase and Staff took the Company's comments into consideration in reaching the ultimate rate recommendations being made to the Commission. As a result Staff's primary, Alternative A, recommendation would yield a cash flow of $1,583 and an operating margin of negative 19.10 percent as shown on Schedule TDP-1, Page 2. Staff was unable to derive the revenue requirement by applying a rate of return on rate base because the Company's extremely low rate base did not produce sufficient revenues for the Company's operating needs.

COMPANY BACKGROUND

On July 21, 2005, New Life Trust, Inc. ("New Life Trust") filed an Application for a Sale of Assets and Transfer of its Certificate of Convenience and Necessity ("CC&N") to Dateland. On February 18, 2003, the Arizona Corporation Commission ("Commission") issued Decision No. 65649, revoking the CC&N of New Life Trust, based upon failure to file 2001 Annual Reports to the Commission. On April 12, 2006, the Commission issued Decision No. 68656, which approved the

application of New Life Trust, dba Dateland Utilities to sell its assets to Dateland Water LLC. Dateland currently does not have an approved CC&N. Staff recommends Dateland file for a new CC&N.

Dateland is a Limited Liability Company ("LLC") that provides water service in Arizona. Dateland is a class E for-profit Arizona public service corporation that provides water service to approximately 14 customers. The Company is providing service in an area located in the community known as Dateland, approximately 70 miles east of Yuma, 2-1/2 miles north of Interstate 8 and along Ave 64E in Yuma County.

On January 11, 2016, Dateland filed an application with the Commission, Docket No. W-20395A-16-0004, for an emergency rate increase. Staff believed it was more appropriate for the Company to file a permanent rate application and the Company agreed and filed a motion to withdraw the emergency rate case application. On April 6, 2016, Dateland filed an application with the Commission for a permanent rate increase. Per Procedural Order issued on April 21, 2016, the emergency rate case docket was closed. On May 9, 2016, Staff filed a letter deeming the application sufficient and classified the Company as a class E public service corporation.

Dateland has not had a rate increase since February 1, 1999. The Company states the requested rate relief is necessary to cover current operating expenses, including adding water treatment.

CONSUMER SERVICES

Complaints and Opinions

A review of Consumer Services database from January 1, 2013 to May 9, 2016, revealed the following:

2016 – Zero Complaints

2015 – One Complaint (Quality of Service)

2013 - 2014 - Zero Complaints

The 2015 complaint has been resolved and closed.

Opinions: 2016 - One opinion in favor of the rate case.

The Company submitted their bill format to Staff for review on May 11, 2016. It complies with Rules R14-2-409.B.2.a thru R14-2-409.B.2.j of the Arizona Administrative Code ("A.C.C."), Title 14, Chapter 2.

COMPLIANCE

A check of the Compliance Database indicates that there are currently no delinquencies for Dateland. The Company is current on its property tax obligations.

The Corporations Division of the Commission reports on June 7, 2016, that the Company is in Good Standing.

The Company filed its 2015 Utilities Division Annual Report on April 20, 2016.

ENGINEERING ANALYSIS

Staff Engineer inspected the Company's plant facilities on March 16, 2016. The Dateland water system consists of one well, one storage tank, one booster pump, one pressure tank, one water load-out station, 14 Point-of Use ("POU") arsenic and fluoride treatment units and a distribution system serving 14 customers during the test year ending December 2015. This system is self-sustaining and does not purchase water from another water system. A complete discussion of Staff's technical findings and recommendations and a description of the water system are provided in the attached Staff Engineering Report.

Staff recommends using the depreciation rates shown on Table 8 of the Staff Engineering Report.

Dateland has an approved Cross-Connection/Backflow Prevention tariff on file with the ACC, which became effective May 4, 2016.

Dateland has an approved Curtailment plan tariff on file with the ACC, which became effective June 1, 2016.

STAFF'S FILED ALTERNATIVE B SCHEDULE DISCUSSION

Rate Base

Staff's rate base adjustments result in a net increase to the Company's proposed rate base by $1,067 from $66,556 to $67,623 as shown in Schedule TDP-2, page 1. Details of Staff's adjustments are presented below.

Working Capital – Adjustments "A" and "B"

Staff's adjustments A and B increases cash working capital by $1,067, as shown on Schedule TDP-2, pages 1 and 4.

Cash working capital was calculated by using the formula method which equals one-eighth of the operating expenses less depreciation, taxes, purchased power and purchased water expenses plus one twenty-fourth of purchased power and purchased water expenses.

Operating Income Statement

Operating Revenue

Staff tested and accepted the Company's total test year operating revenue of $3,352.

Operating Expenses

Staff's four adjustments to operating expenses resulted in a net decrease of $331 as shown on Schedule TDP - 3, page 2. Details of Staff's adjustments are presented below.

Water Testing – Adjustment 1 decreases this account by $599, from $1,509 to $910 as shown on Schedule TDP – 3, pages 1 and 2, to reflect Staff Engineer's recommended expense level.

Rate Case Expense – Adjustment 2 increases this account from $0 to $480 as shown on Schedule TDP-3, pages 1 and 2. The Company proposed an amount for rate case expense in its application of $2,400 over 5 years. Staff typically normalizes rate case expense using three to five years. The Company's last rate case was approximately 17 years ago, therefore, Staff normalized the $2,400 using five years resulting in annual rate case expense of $480.

Depreciation Expense – Adjustment 3 increases this account by $541, from $3,270 to $3,811, as shown on Schedule TDP – 3, pages 1 and 3, to reflect application of Staff's recommended depreciation rates[1] to Staff's recommended plant balances.[2]

Property Tax Expense – Adjustment 4 decreases this account by $91, from $293 to $202 as shown on Schedule TDP-3, pages 1 and 4, to reflect property taxes calculated using Staff's modified Arizona Department of Revenue methodology.

Revenue Requirement – Under Alternative B

The rates for the Dateland water system have not been increased in approximately 17 years. Although Staff's recommendation, alternative B, is total operating revenue of $15,450, a $12,098 or 360.92 percent increase over the test year revenue of $3,352, Staff is recommending alternative A to accommodate the Company's specific needs. Those are to avoid rate shock to the extent possible and avoid the loss of any customers.

Rate Design – Under Alternative A

Schedule TDP-4 presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

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[1] Shown on Table 8 of the attached Engineering Report
[2] Shown on Schedule TDP - 2, page 2.

The Company's current rate structure is comprised of a one tier rate for all customers. The Company proposes to retain this structure. Staff is proposing to implement a three-tier rate design for Dateland. The tiers would consist of the following, a first-tier break-over of 3,000 gallons; 10,000-gallons for the second-tier; and over 10,000-gallons for the third-tier for residential customers.

Bulk Water Load Out Station

Dateland currently has no standpipe rate. However, the Company has proposed a standpipe rate consisting of a $36.00 minimum charge and a $6.00 per 1,000 for all usage commodity charge. Staff does not typically recommend a minimum charge for bulk water sales, because monthly minimum charges are only for customers who have meters. Staff is proposing a Commodity charge for bulk water sales of $12.50 per 1,000 gallons.

Miscellaneous Service Charges

The Company has proposed changes to its miscellaneous service charges. Staff recommends adoption of the Company proposed increases to the following miscellaneous service charges:

- Meter Re-read (if correct) – an increase from $5 to $15.
- NSF Charges –increase from $10 to $35. Dateland has provided bank charges at Staff's request.
- Deposit Interest – changed from 6 percent to 3 percent. Staff realizes that due to lower interest rates Companies may request a lower rate. Other Companies have also requested similar rate reductions.

Staff has recommended a different amount than that proposed by the Company for the following miscellaneous service charges:

- Establishment Charge – The Company has proposed an increase from $10 to $40.00. Staff recommends $35.
- Reconnection (Delinquent) - The Company has proposed an increase from $15 to $40. Staff recommends $35
- Meter Test (if correct) – The Company has proposed an increase from $15 to $50. Staff recommends $25. Staff advised the Company that the Utilities Division tests 5/8" and 3/4" meters at no charge to the Company.
- Deposit – The Company has proposed an increase from $20 to $106. Staff recommends rule R14-2-403 (B).

Late Payment Penalty – The Company currently has no approved Late Payment Penalty charge and has proposed a fee of $2. The Company has several customers that continually pay late, therefore Staff recommends a Late Fee of $5.

After Hours Service Call Charge – The Company currently has no approved After Hours Service Call Charge and has proposed a charge of $40. Staff agrees with the Company's proposed charge.

Reestablishment (within 12 months) – The Company has proposed no change to Reestablishment (within 12 months). Staff agrees.

Deferred Payment Plan – The Company has proposed no change to the Late Payment Penalty charge of 1.5 percent per month. Staff agrees.

Service Line and Meter Installation Charges

Dateland has proposed changes to its existing service line and meter installation charges. The proposed charges are refundable advances and are similar to Staff's typical range of charges for service line and meter installations, therefore Staff recommends approval of the Company's proposed total charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Staff developed separate service line and meter installation charges using the Company's proposed total charges. Staff recommends the service line and meter installation charges listed under "Staff's Recommended Charges" in Table 9 of the attached Engineering report be adopted.

STAFF RECOMMENDS

1. Approval of Staff's Alternative A recommended rates and charges as shown on Schedule TDP-4. Staff notes that the rate and charges on this Schedule are designed to generate Staff's alternative A rate increase recommendation.

2. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, per Arizona Administrative Code ("A.A.C.") Rule 14-2-409(D)(5).

3. The Company be ordered to file with Docket Control, as a compliance item in this Docket, a tariff schedule of its new rates and charges within 30 days after the effective date of the Decision in this proceeding.

4. That Dateland, as a compliance item in this case, notify its customers of the authorized rates and charges approved in this proceeding, and their effective date, in a form acceptable to Staff, by means of an insert in its next regularly scheduled billing and to file copies with Docket Control within 10 days of the date notice is sent to customers.

5. That the Company install a two inch master meter on the well pump discharge line in order to register gallons pumped and calculate water loss.

   Staff further recommends that Dateland monitor the water system for an additional 12-month period to prepare an updated water loss report. If the reported water loss

is above 10 percent, Dateland shall submit a water loss reduction report containing a detailed analysis and plan to reduce its water loss to 10 percent or less. If Dateland believes it is not cost effective to reduce water loss to 10 percent or less, it shall submit a detailed cost benefit analysis to support its opinion. In no case shall Dateland allow water loss to be greater than 15 percent. The water loss reduction report or the detailed cost benefit analysis, if applicable, shall be docketed as a compliance item within 18 months from the effective date of an order issued in this proceeding.

Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system water losses and repair all leaks when discovered and located.

6. An annual water testing expense of $910 be used for purposes of this application.

7. That the Company continue using the depreciation rates as delineated in Table 8 of the attached Engineering report.

8. The service line and meter installation charges listed under "Staff's Recommended Charges" in Table 9 of the attached Engineering report be adopted.

9. That Dateland file for a new CC&N that includes only the areas where the Company is presently providing service and where the company has received a request for service and plans to provide service in the near future (See Section I.4, CC&N of the attached Engineering report, for further discussion).

10. That the current moratorium on water service hookups be rescinded (See Section I.5, Moratorium of the attached Engineering report, for further discussion).

11. If the Company chooses to retain the bulk water load-out station Staff recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation from ADEQ indicating that the bulk water load-out station meets the criteria set forth in ADEQ Engineering Bulletin No. 10, Guidelines for the Construction of Water Systems, May 1978 ("Bulletin 10") (See Section I.6, Bulk Water Load-out Station, for further discussion).

Staff further recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation that signage was placed at the bulk water load-out station stating "**NOT FOR POTABLE USE**".

Staff further recommends that the Company install a master meter on the bulk water load-out station to accurately measure the bulk water sold.

12. If Dateland chooses not to retain the bulk water load-out station, Staff recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that the Company severed the bulk water load-out station from the water system.

Staff Schedules TDP-1, pages 1, 3 and 4, TDP-2 and TDP-3 Support Staff's Alternative B Recommendation and are Included because the level of rate increase determined under the Alternative B issue/pro forma adjustment considerations provide details regarding the Company's rate base and actual operating results that may be helpful to understanding the actual financial position of this small water company.

DATELAND WATER, LLC
Docket No. W-20395A-16-0118
Test Year Ended December 31, 2015

SUMMARY OF FILING

	Company as Filed	Staff as Adjusted	Company Proposed	Staff Recommended
Revenues:				
Metered Water Revenue	$3,352	$3,352	$10,291	$15,450
Unmetered Water Revenue	0	0	0	
Other Water Revenues	0	0	0	
Total Operating Revenue	$3,352	$3,352	$10,291	$15,450
Operating Expenses:				
Operation and Maintenance	$9,564	$9,445	$9,564	$9,445
Depreciation	3,270	3,811	3,270	3,811
Property & Other Taxes	483	392	483	636
Income Tax	0	0	0	0
Total Operating Expense	$13,317	$13,648	$13,317	$13,892
Operating Income/(Loss)	($9,965)	($10,296)	($3,026)	$1,558
Rate Base O.C.L.D.	$66,556	$67,623	$66,556	$67,623
Operating Margin	N/M	N/M	-29.40%	10.09%
Cash Flow	($6,695)	($6,485)	$244	$5,369

NOTE: Operating Margin represents the proportion of funds available to pay interest and other below the line or non-ratemaking expenses.

GROSS REVENUE CONVERSION FACTOR

Line No.	Description	[A]	[B]	[C]
	Calculation of Gross Revenue Conversion Factor:			
1	Revenue	100.0000%		
2	Uncollecible Factor (Line 12)	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (L29)	22.9798%		
5	Subtotal (L3 - L4)	77.0202%		
6	**Revenue Conversion Factor (L1 / L5)**	1.29836073		
7				
8	*Calculation of Uncollectible Factor:*			
9	Unity	100.0000%		
10	Combined Federal and State Tax Rate (L21)	21.3990%		
11	One Minus Combined Income Tax Rate (L9 - L10)	78.6010%		
12	Uncollectible Rate	0.0000%		
13	Uncollectible Factor (L11 * L12)	0.0000%		
14				
15	*Calculation of Effective Tax Rate:*			
16	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
17	Arizona State Income Tax Rate	2.6820%		
18	Federal Taxable Income (L16 - L17)	97.3181%		
19	Applicable Federal Income Tax Rate (L69 Col [C])	19.2328%		
20	Effective Federal Income Tax Rate (L18 * L19)	0.18717029		
21	Combined Federal and State Income Tax Rate (L17 + L20)	21.3990%		
22				
23	*Calculation of Effective Property Tax Factor*			
24	Unity	100.0000%		
25	Combined Federal and State Income Tax Rate (L21)	21.3990%		
26	One Minus Combined Income Tax Rate (L24 - L25)	78.6010%		
27	Property Tax Factor	2.0112%		
28	Effective Property Tax Factor (L26 * L27)	1.5808%		
29	Combined Federal and State Income Tax and Property Tax Rate (L21 + L28)	22.9798%		
30				
31				
32				
33	Required Operating Income	$1,555		
34	AdjustedTest Year Operating Income (Loss)	(10,296)		
35	Required Increase in Operating Income (L33 - L34)	$11,852		
36				
37	Income Taxes on Recommended Revenue (Col. [C], L66)	$0		
38	Income Taxes on Test Year Revenue (Col. [A], L66)	0		
39	Required Increase in Revenue to Provide for Income Taxes (L37 - L38)	$0		
40				
41	Recommended Revenue Requirement	$15,450		
42	Uncollectible Rate (L11)	0.0000%		
43	Uncollectible Expense on Recommended Revenue (L41 * L42)	$0		
44	Adjusted Test Year Uncollectible Expense	0		
45	Required Increase in Revenue to Provide for Uncollectible Exp.	$0		
46				
47	Property Tax with Recommended Revenue	$446		
48	Property Tax on Test Year Revenue	202		
49	Increase in Property Tax Due to Increase in Revenue (L47 - L48)	$243		
50				
51	Total Required Increase in Revenue (L35 + L39 + L45 + L49)	$12,098		
52				
53				
54				
55		[A]	[B]	[C]
56	*Calculation of Income Tax:*	Test Year		Staff Recommended
57	Revenue	$3,352	$12,098	$15,450
58	Operating Expenses Excluding Income Taxes	13,648		13,892
59	Synchronized Interest (L75)	0		0
60	Arizona Taxable Income (L57 - L59 - L58)	($10,296)		$1,559
61	Arizona State Effective Income Tax Rate (see work papers)	2.6820%		2.6820%
62	Arizona Income Tax (L60 * L61)	($276)		$42
63	Federal Taxable Income (L60 - L62)	($10,020)		$1,517
64	Federal Tax Rate (see work papers)	19.2328%		19.2328%
65	Federal Tax	(1,927)		292
66	Combined Federal and State Income Tax (L62 + L65)	($2,203)		$334
67				
68				
69				
70				
71				
72	*Calculation of Interest Synchronization:*			
73	Rate Base	$67,623		
74	Weighted Average Cost of Debt	0.0000%		
75	Synchronized Interest (L73 * L74)	$0		

DATELAND WATER, LLC
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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[C] STAFF ORIGINAL COST
1	Adjusted Rate Base	$66,556	$67,623
2	Adjusted Operating Income (Loss)	($9,965)	($10,296)
3	Current Rate of Return (L2 / L1)	-14.97%	-15.23%
4	Required Rate of Return	-4.55%	2.30%
5	Required Operating Income (L4 * L1)	($3,026)	$1,555
6	Operating Income Deficiency (L5 - L2)	$6,939	$11,852
7	Gross Revenue Conversion Factor	1.0000	1.0208
8	Required Revenue Increase (L7 * L6)	$6,939	$12,098
9	Adjusted Test Year Revenue	$3,352	$3,352
10	Proposed Annual Revenue (L8 + L9)	$10,291	$15,450
11	Required Increase in Revenue (%)	207.02%	360.92%

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ORIGINAL COST RATE BASE/FAIR VALUE

	------- Original Cost ------- Company	Adjustment		Staff
Plant in Service	$96,690	$0		$96,690
Less:				
Accum. Depreciation	30,134	0		30,134
Net Plant	$66,556	$0		$66,556
Less:				
Plant Advances	$0	$0		$0
Accumulated Deferred Income Taxes	0	0		0
Total Advances	$0	$0		$0
Contributions Gross	$0	$0		$0
Less:				
Amortization of CIAC	0	0		0
Net CIAC	$0	$0		$0
Total Deductions	$0	$0		**$0**
Plus:				
1/24 Power	$0	$57	A	$57
1/8 Operation & Maint.	$0	$1,010	B	$1,010
Inventory	$0	$0		$0
Prepayments	$0	$0		$0
Total Additions	$0	$1,067		$1,067
Rate Base	**$66,556**	**$1,067**		**$67,623**

DATELAND WATER, LLC
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PLANT ADJUSTMENT

Line No.	Acct. No.	Description	Company Exhibit	Adjustment	Staff Adjusted
1	301	Organization Costs	$0	$0	$0
2	302	Franchise Costs	0	0	0
3	303	Land & Land Rights	0	0	0
4	304	Structures & Improvements	0	0	0
5	307	Wells & Springs	0	0	0
6	310	Power Generation Equipment	0	0	0
7	311	Electric Pumping Equipment	7,250	0	7,250
8	320	Water Treatment Equipment	0	0	0
9	320.1	Water Treatment Plants	0	0	0
10	320.2	Solutions & Feeders	0	0	0
11	320.3	Point-of-Use Treatment Devices	5,862	0	5,862
12	330	Distribution Reservoirs & Standpipes	0	0	0
13	330.1	Storage Tank	68,498	0	68,498
14	330.2	Pressure Tanks	12,451	0	12,451
15	331	Transmission & Distribution Mains	0	0	0
16	333	Services	0	0	0
17	334	Meters & Meter Installations	0	0	0
18	335	Hydrants	0	0	0
19	336	Backflow Prevention Devices	0	0	0
20	339	Other Plant & Misc. Equip.	2,629	0	2,629
21	340	Office Furniture & Fixtures	0	0	0
22	340.1	Computer & Software	0	0	0
23	341	Transportation Equipment	0	0	0
24	342	Store Equipment	0	0	0
25	343	Tools & Work Equipment	0	0	0
26	344	Laboratory Equipment	0	0	0
27	345	Power Operated Equipment	0	0	0
28	346	Communications Equipment	0	0	0
29	347	Miscellaneous Equipment	0	0	0
30	348	Other Intangibles	0	0	0
31	105	C.W.I.P.	0	0	0
32		**TOTALS**	**$96,690**	**$0**	**$96,690**

RATE BASE ADJUSTMENT - ACCUMULATED DEPRECIATION

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJUSTMENT	[C] STAFF ADJUSTED
1	301	Organization Costs	$0	$0	$0
2	302	Franchise Costs	0	0	0
3	303	Land & Land Rights	0	0	0
4	304	Structures & Improvements	0	0	0
5	307	Wells & Springs	0	0	0
6	310	Power Generation Equipment	0	0	0
7	311	Electric Pumping Equipment	453	0	453
8	320	Water Treatment Equipment	0	0	0
9	320.1	Water Treatment Plants	0	0	0
10	320.2	Solutions & Feeders	0	0	0
11	320.3	Point-of-Use Treatment Devices	5,569	0	5,569
12	330	Distribution Reservoirs & Standpipe	0	0	0
13	330.1	Storage Tank	17,488	0	17,488
14	330.2	Pressure Tanks	6,537	0	6,537
15	331	Transmission & Distribution Mains	0	0	0
16	333	Services	0	0	0
17	334	Meters & Meter Installations	0	0	0
18	335	Hydrants	0	0	0
19	336	Backflow Prevention Devices	0	0	0
20	339	Other Plant & Misc. Equip.	87	0	87
21	340	Office Furniture & Fixtures	0	0	0
22	340.1	Computer & Software	0	0	0
23	341	Transportation Equipment	0	0	0
24	342	Store Equipment	0	0	0
25	343	Tools & Work Equipment	0	0	0
26	344	Laboratory Equipment	0	0	0
27	345	Power Operated Equipment	0	0	0
28	346	Communications Equipment	0	0	0
29	347	Miscellaneous Equipment	0	0	0
30	348	Other Intangibles	0	0	0
31	105	C.W.I.P.	0	0	0
32		**TOTALS**	$30,134	$0	$30,134

STAFF RATE BASE ADJUSTMENTS

A -	WORKING CAPITAL (1/24 PURCHASED PWR & WTR) - Per Company	$ -	
	Per Staff	57	$57
	To reflect Staff's calculation of working capital based upon Staff's recommendations for purchased power and purchased water.		
B -	WORKING CAPITAL (1/8 OPERATION & MAINT EXP) - Per Company	$ -	
	Per Staff	1,010	$1,010
	To reflect Staff's calculation of working capital based upon Staff's recommendations for operation and maintenance expense (excluding purchased power, purchased water, depreciation expense & taxes).		

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Schedule TDP-3
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STATEMENT OF TEST YEAR OPERATING INCOME

Line No.	Acct. No.	Description	[A] Company Exhibit	[B] Staff Adjustments	Adj. No.	[C] Staff Adjusted	[D] Staff Adjustments	[E] Staff Recommended
1	Revenues:							
2	461	Metered Water Revenue	$3,352	$0		$3,352	$12,098	$15,450
3	460	Unmetered Water Revenue	0	0		0	0	0
4	474	Other Water Revenues	0	0		0	0	0
5	Total Operating Revenue		$3,352	$0		$3,352	$12,098	$15,450
6								
7	Operating Expenses:							
8	601	Salaries and Wages	$0	$0		$0	$0	$0
9	610	Purchased Water	0	0		0	-	0
10	615	Purchased Power	1,366	0		1,366	-	1,366
11	618	Chemicals	0	0		0	-	0
12	620	Repairs and Maintenance	1,385	0		1,385	-	1,385
13	621	Office Supplies and Expense	504	0		504	-	504
14	630	Outside Services	4,500	0		4,500	-	4,500
15	635	Water Testing	1,509	(599)	1	910	-	910
16	641	Rents	0	0		0	-	0
17	650	Transportation Expenses	0	0		0	-	0
18	657	Insurance - General Liability	0	0		0	-	0
19	659	Insurance - Health and Life	0	0		0	-	0
20	666	Regulatory Commission Expense - Rate Case	0	480	2	480	-	480
21	675	Miscellaneous Expense	300	0		300	-	300
22	403	Depreciation Expense	3,270	541	3	3,811	-	3,811
23	408	Taxes Other Than Income	190	0		190	-	190
24	408.11	Property Taxes	293	(91)	4	202	243	446
25	670	Bad Debt Expense	0	0		0	-	0
26	409	Income Tax	0	0		0	-	
27	Total Operating Expenses		$13,317	$331		$13,648	$243	$13,892
28								
29								
30	**OPERATING INCOME/(LOSS)**		**($9,965)**	**($331)**		**($10,296)**	**$11,855**	**$1,558**
31								

STAFF ADJUSTMENTS

1 - WATER TESTING - Per Company	$1,509	
Per Staff	910	($599)

This adjustment decreases water testing expense by $599 to reflect Staff's recommended expense level.

2 - RATE CASE EXPENSE - Per Company	$0	
Per Staff	480	$480

Staff recommended Rate Case expense	$	2,400	Per Company Adjustment Request
Normalized using 5 years		5	
	$	480	

This adjustment increases rate case expense by $480 to reflect Staff's recommended expense level.

4 - PROPERTY TAXES - Per Company	$293	
Per Staff	202	($91)

To reflect Staff's calculation of property taxes as shown on Schedule TDP-3, Page 4

OPERATING INCOME ADJUSTMENT No. 3 - DEPRECIATION EXPENSE

Line No.	Acct. No.	Description	[A] Utility Plant in Service Balances	[B] Fully/Non-Depreciable Plant Balances	[C] Depreciable Plant In Service	[D] Deprec. Rate	[E] Depreciation Expense
	Plant In Service						
1	301	Organization Costs	$0	$0	$0	0.00%	$0
2	302	Franchise Costs	0	0	0	0.00%	0
3	303	Land & Land Rights	0	0	0	0.00%	0
4	304	Structures & Improvements	0	0	0	3.33%	0
5	307	Wells & Springs	0	0	0	3.33%	0
6	310	Power Generation Equipment	0	0	0	5.00%	0
7	311	Electric Pumping Equipment	7,250	0	7,250	12.50%	906
8	320	Water Treatment Equipment	0				
9	320.1	Water Treatment Plants	0	0	0	3.33%	0
10	320.2	Solutions & Feeders	0	0	0	20.00%	0
11	320.3	Point-of-Use Treatment Devices	5,862	0	5,862	10.00%	586
12	330	Distribution Reservoirs & Standpipes	0		0		
13	330.1	Storage Tank	68,498	0	68,498	2.22%	1,521
14	330.2	Pressure Tanks	12,451	0	12,451	5.00%	623
15	331	Transmission & Distribution Mains	0	0	0	2.00%	0
16	333	Services	0	0	0	3.33%	0
17	334	Meters & Meter Installations	0	0	0	8.33%	0
18	335	Hydrants	0	0	0	2.00%	0
19	336	Backflow Prevention Devices	0	0	0	6.67%	0
20	339	Other Plant & Misc. Equip.	2,629	0	2,629	6.67%	175
21	340	Office Furniture & Fixtures	0	0	0	6.67%	0
22	340.1	Computer & Software	0	0	0	20.00%	0
23	341	Transportation Equipment	0	0	0	20.00%	0
24	342	Store Equipment	0	0	0	4.00%	0
25	343	Tools & Work Equipment	0	0	0	5.00%	0
26	344	Laboratory Equipment	0	0	0	10.00%	0
27	345	Power Operated Equipment	0	0	0	5.00%	0
28	346	Communications Equipment	0	0	0	10.00%	0
29	347	Miscellaneous Equipment	0	0	0	10.00%	0
30	348	Other Intangibles	0	0	0	0.00%	0
31							
32							
33		Subtotal General	$96,690	$0	$96,690		$3,811
34							
35							
36		Contribution(s) in Aid of Construction (Gross)	$0				
37		Less: Non Amortizable Contribution(s)	0				
38		Fully Amortized Contribution(s)	0				
39		Amortizable Contribution(s)	$0				
40		Times: Staff Proposed Amortization Rate	3.94%				
41		**Amortization of CIAC**	$0				$0
42		Less: Amortization of Contributions					
43							
44		Staff Recommended Depreciation Expense					$3,811
45		Company Proposed Depreciation Expense					3,270
46		Increase/(Decrease) to Depreciation Expense					$541

OPERATING INCOME ADJUSTMENT No. 4 - PROPERTY TAXES

Line No.	Description	[A] Staff As Adjusted	[B] Staff Recommended
1	Staff Adjusted Test Year Revenues	$3,352	$3,352
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	$6,704	$6,704
4	Staff Recommended Revenue	3,352	15,450
5	Subtotal (L4 + L5)	$10,056	$22,154
6	Number of Years	3	3
7	Three Year Average (L5 / L6)	$3,352	$7,385
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (L7 * L8)	$6,704	$14,769
10	Plus: 10% of CWIP	0	0
11	Less: Net Book Value of Licensed Vehicles	0	0
12	Full Cash Value (L9 + L10 - L11)	$6,704	$14,769
13	Assessment Ratio	18.00%	18.00%
14	Assessment Value (L12 * L13)	$1,207	$2,658
15	Composite Property Tax Rate - Obtained from ADOR	16.76%	16.76%
16	Staff Test Year Adjusted Property Tax Expense (L14 * L15)	$202	
17	Company Proposed Property Tax	293	
18	Staff Test Year Adjustment (L16 - L17)	($91)	
19	Property Tax - Staff Recommended Revenue (L14 * L15)		$446
20	Staff Test Year Adjusted Property Tax Expense (L16)		202
21	Increase in Property Tax Due to Increase in Revenue Requirement		$243
22	Increase in Property Tax Due to Increase in Revenue Requirement (L21)		$243
23	Increase in Revenue Requirement		$12,098
24	Increase in Property Tax Per Dollar Increase in Revenue (L22 / L23)		**2.011200%**

Staff Schedules TDP-1, page 2, TDP-4 and TDP-5 Support Staff's Alternative A Recommendation and are Staff's primary recommendation since this level of rate increase and resulting rate design gives consideration to concerns raised by the Company.

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Schedule TDP-1
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CASH FLOW ANALYSIS

Line No.		INCOME STATEMENT	Staff Recommended
1		**Operating Revenue**	
2	461	Metered Water Revenue	$11,664
3	460	Unmetered Water Revenue	0
4	474	Other Water Revenues	0
5		**Total Operating Rev:**	$11,664
6			
7		**Operating Expenses**	
8	601	Salaries and Wages	$0
9	610	Purchased Water	0
10	615	Purchased Power	1,366
11	618	Chemicals	0
12	620	Repairs and Maintenance	1,385
13	621	Office Supplies and Expense	504
14	630	Outside Services	4,500
15	635	Water Testing	910
16	641	Rents	0
17	650	Transportation Expenses	0
18	657	Insurance - General Liability	0
19	659	Insurance - Health and Life	0
20	666	Regulatory Commission Expense - Rate Case	480
21	675	Miscellaneous Expense	300
22	403	Depreciation Expense	3,811
23	408	Taxes Other Than Income	190
24	408.11	Property Taxes	446
25	670	Bad Debt Expense	0
26	409	Income Tax	0
27		**Total Operating Expense**	$13,892
28			
29		**Operating Income**	($2,228)
30			
31		Interest Expense	$0
32		**Total Other Interest Expense/Income**	$0
33			
34		**Net Income**	($2,228)
35			
36		Rate Base	$67,623
37			
40		**Operating Margin (L29 / L5)**	-19.10%
41			
42		Annual Debt Service Amount	$0
43			
44		**Cash Flow (L22 + L34)**	$1,583

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8" x 3/4" Meter *	$10.00	$36.00	$38.00
3/4" Meter	15.00	45.00	57.00
1" Meter	25.00	75.00	95.00
1½" Meter	50.00	150.00	190.00
2" Meter	80.00	240.00	304.00
3" Meter	150.00	480.00	608.00
4" Meter	250.00	750.00	950.00
6" Meter	500.00	1,500.00	1,900.00
In addition to the 5/8" x 3/4" monthly usage charge, Multi-housing customers are charged an additional $28.00 for * each additional resident			
Commodity Rates			
5/8 x 3/4" & 3/4" Meter - Residential			
Excess of Minimum - per 1,000 Gallons			
Per 1,000 Gallons for All Usage	$2.00	$4.00	
From 0 to 3,000 Gallons			$7.00
From 3,000 to 10,000 Gallons			7.50
Over 10,000 Gallons			8.00
3/4" Meter - Commercial & Industrial			
Excess of Minimum - per 1,000 Gallons			
Per 1,000 Gallons for All Usage	$2.00	$4.00	
From 0 to 3,000 Gallons			$7.00
From 3,000 to 10,000 Gallons			7.50
Over 10,000 Gallons			8.00
1" - Residential, Commercial & Industrial			
Excess of Minimum - per 1,000 Gallons			
Per 1,000 Gallons for All Usage	$2.00	$4.00	
First 20,000 Gallons			$7.50
Over 20,000 Gallons			8.00
1½" - Residential, Commercial & Industrial			
Excess of Minimum - per 1,000 Gallons			
Per 1,000 Gallons for All Usage	$2.00	$4.00	
First 50,000 Gallons			$7.50
Over 50,000 Gallons			8.00
2" - Residential, Commercial & Industrial			
Excess of Minimum - per 1,000 Gallons			
Per 1,000 Gallons for All Usage	$2.00	$4.00	
First 80,000 Gallons			$7.50
Over 80,000 Gallons			8.00
3" - Residential, Commercial & Industrial			
Excess of Minimum - per 1,000 Gallons			
Per 1,000 Gallons for All Usage	$2.00	$4.00	
First 150,000			$7.50
Over 150,000 Gallons			8.00
4" - Residential, Commercial & Industrial			
Excess of Minimum - per 1,000 Gallons			
Per 1,000 Gallons for All Usage	$2.00	$4.00	
First 300,000 Gallons			$7.50
Over 300,000 Gallons			8.00
6" - Residential, Commercial & Industrial			
Excess of Minimum - per 1,000 Gallons			
Per 1,000 Gallons for All Usage	$2.00	$4.00	
First 500,000 Gallons			$7.50
Over 500,000 Gallons			8.00

RATE DESIGN CONT.

	Present Rates	Company Proposed Rates	Staff Recommended Rates
Standpipe - Bulk Water	n/a	$36.00	$0
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	$0.00	$6.00	$12.50*

*** conditions to be met for bulk water sales:**

These rates are not effective until the first day of the month after Dateland files with Docket Control, as a compliance item in this docket, documentation from ADEQ indicating that the bulk water load-out station meets the criteria set forth by ADEQ (see Section I.6 of Engineering Report for further discussion).

Service Line and Meter Installation Charge	Present Rates			Company Proposed Rates			Staff Recommended Rates		
	Service Line	Meter Charge	Total Charge	Service Line	Meter Charge	Total Charge	Service Line	Meter Charge	Total Charge
5/8" x 3/4" Meter	$0.00	$0.00	$330.00	$0.00	$0.00	$600.00	$474.00	$126.00	$600.00
3/4" Meter	0.00	0.00	375.00	0.00	0.00	650.00	442.00	208.00	650.00
1" Meter	0.00	0.00	440.00	0.00	0.00	750.00	488.00	262.00	750.00
1½" Meter	0.00	0.00	660.00	0.00	0.00	1,000.00	550.00	450.00	1,000.00
2" Meter	0.00	0.00	1,155.00	0.00	0.00	2,600.00	1,222.00	1,378.00	2,600.00
3" Meter	0.00	0.00	1,625.00	0.00	0.00	3,500.00	1,435.00	2,065.00	3,500.00
4" Meter	0.00	0.00	2,540.00	0.00	0.00	4,500.00	1,755.00	2,745.00	4,500.00
6" Meter	0.00	0.00	4,875.00	0.00	0.00	7,500.00	2,475.00	5,025.00	7,500.00

Service Charges			
Establishment	$10.00	$40.00	$35.00
Reconnection (Delinquent)	15.00	40.00	35.00
Meter Test (If Correct)	15.00	50.00	25.00
Deposit	20.00	106.00	*
Deposit Interest	6%	3%	3%
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	10.00	35.00	35.00
Deferred Payment	1.5%	1.5%	1.5%
After Hours Service Charge	N/A	40.00	40.00
Late Fee	N/A	2.00	5.00
Meter Re-Read (If Correct)	5.00	15.00	15.00

* Per Commission Rule A.A.C. R-14-2-403(B)(7).
** Month off system times the monthly minimum A.A.C. R14-2-403(D).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per commission rule A.A.C. 14-2-409D(5).

DATELAND WATER, LLC Schedule TDP-5
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Test Year Ended December 31, 2015

TYPICAL BILL ANALYSIS
General Service 5/8 x 3/4-Inch Meter

Average Number of Customers: 12

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,285	$ 18.57	$ 53.14	$ 34.57	186.2%
Median Usage	1,100	$ 12.20	$ 40.40	$ 28.20	231.1%
Staff Recommend					
Average Usage	4,285	$ 18.57	$ 68.64	$ 50.07	269.6%
Median Usage	1,100	$ 12.20	$ 45.70	$ 33.50	274.6%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
Minimum Charge	$10.00	$36.00		$38.00	
1st Tier Rate	$2.00	$4.00		$7.00	
1st Tier Break-over	9,999,999	9,999,999		3,000	
2nd Tier Rate	$0.00	$0.00		$7.50	
2nd Tier Break-over	0	0		10,000	
3rd Tier Rate	$0.00	$0.00		$8.00	
Gallons Consumption					
0	$10.00	$36.00	260.0%	$38.00	280.0%
1,000	12.00	40.00	233.3%	45.00	275.0%
2,000	14.00	44.00	214.3%	52.00	271.4%
3,000	16.00	48.00	200.0%	59.00	268.8%
4,000	18.00	52.00	188.9%	66.50	269.4%
5,000	20.00	56.00	180.0%	74.00	270.0%
6,000	22.00	60.00	172.7%	81.50	270.5%
7,000	24.00	64.00	166.7%	89.00	270.8%
8,000	26.00	68.00	161.5%	96.50	271.2%
9,000	28.00	72.00	157.1%	104.00	271.4%
10,000	30.00	76.00	153.3%	111.50	271.7%
15,000	40.00	96.00	140.0%	151.50	278.8%
20,000	50.00	116.00	132.0%	191.50	283.0%
25,000	60.00	136.00	126.7%	231.50	285.8%
50,000	110.00	236.00	114.5%	431.50	292.3%
75,000	160.00	336.00	110.0%	631.50	294.7%
100,000	210.00	436.00	107.6%	831.50	296.0%
125,000	260.00	536.00	106.2%	1,031.50	296.7%
150,000	310.00	636.00	105.2%	1,231.50	297.3%
175,000	360.00	736.00	104.4%	1,431.50	297.6%
200,000	410.00	836.00	103.9%	1,631.50	297.9%

Engineering Report for Dateland Water, LLC

Docket No. W-20395A-16-0118 (Rates)

By Frank M. Smaila
Utilities Engineer

May 24, 2016

CONCLUSIONS

A. Dateland Water, LLC ("Dateland" or "Company") is a Class E water utility company consisting of one well, one storage tank, one booster pump, one pressure tank, one bulk water load-out station, 14 Point-of Use ("POU") arsenic and fluoride treatment units and a distribution system serving 14 customers during the test year ending December 2015.

B. The Company does not have a master meter at the production well, therefore, water loss could not be determined by Utilities Division Staff ("Utilities Staff" or "Staff").

C. The Company's current system has adequate well production and storage capacity to serve the present customer base and reasonable growth.

D. The Company anticipates adding one additional customer to its customer base.

E. The Arizona Department of Environmental Quality ("ADEQ") has reported no major deficiencies and has determined that the Company's system, PWS #14-032, is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

F. The Company is not located in any Arizona Department of Water Resources' ("ADWR") Active Management Area ("AMA"). According to the ADWR, the Company is currently compliant with ADWR's requirements governing water providers and/or community water systems.

G. According to the Arizona Corporation Commission ("ACC" or "Commission") Utilities Division compliance database, the Company has no delinquent Commission compliance items.

H. The Company has approved curtailment and cross-connection tariffs on file.

I. The Company does not currently have an approved Certificate of Convenience and Necessity ("CC&N") on file.

J. The Company currently has Commission ordered moratorium on water system hookups.

RECOMMENDATIONS

1. Staff recommends that the Company install a two inch master meter on the well pump discharge line in order to register gallons pumped and calculate water loss.

   Staff further recommends that Dateland monitor the water system for an additional 12-month period to prepare an updated water loss report. If the reported water loss is above 10 percent, Dateland shall submit a water loss reduction report containing a detailed analysis and plan to reduce its water loss to 10 percent or less. If Dateland believes it is not cost effective to reduce water loss to 10 percent or less, it shall submit a detailed cost benefit analysis to support its opinion. In no case shall Dateland allow water loss to be greater than 15 percent. The water loss reduction report or the detailed cost benefit analysis, if applicable, shall be docketed as a compliance item within 18 months from the effective date of an order issued in this proceeding.

   Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system water losses and repair all leaks when discovered and located.

2. Staff recommends an annual water testing expense of $910 be used for purposes of this application.

3. Staff recommends that the Company continue using the depreciation rates as delineated in Table 8.

4. Staff recommends the service line and meter installation charges listed under "Staff's Recommended Charges" in Table 9 be adopted.

5. Staff recommends that Dateland file for a new CC&N that includes only the areas where the company is presently providing service and where the company has received a request for service and plans to provide service in the near future (See Section I.4, CC&N, for further discussion).

6. Staff recommends that the moratorium on water service hookups be rescinded (See Section I.5, Moratorium, for further discussion).

7. If the Company chooses to retain the bulk water load-out station Staff recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation from ADEQ indicating that the bulk water load-out station meets the criteria set forth in ADEQ Engineering Bulletin No. 10, Guidelines for the Construction of Water Systems, May 1978 ("Bulletin 10") (See Section I.6, Bulk Water Load-out Station, for further discussion).

   Staff further recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding,

documentation that signage was placed at the bulk water load-out station stating "**NOT FOR POTABLE USE**".

Staff further recommends that the Company install a master meter on the bulk water load-out station to accurately measure the bulk water sold.

8. If Dateland chooses not to retain the bulk water load-out station Staff recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that the Company severed the bulk water load-out station from the water system.

TABLE OF CONTENTS

A. INTRODUCTION

On April 6, 2016, Dateland Water, LLC ("Dateland" or "Company") filed a rate application. Dateland is a Class E water utility company. The Company does not have an approved Certificate of Convenience and Necessity ("CC&N"). Currently the Company provides water service within a CC&N that was revoked from New Life Trust, Inc. ("New Life") (see Section I.4, CC&N, for further discussion). In Decision 68656, dated April 12, 2006, the Arizona Corporation Commission ("ACC" or "Commission") approved the sale of New Life to the Company. This rate application is the Company's first request for a rate increase since the water system was purchased.

The Company is providing service in an area located in the community known as Dateland, approximately 70 miles east of Yuma, 2-1/2 miles north of Interstate 8 and along Ave 64E in Yuma County. Figure 1 shows the location of the Company in relation to other Commission regulated companies in Yuma County and Figure 2 shows the location of New Life revoked CC&N. The revoked CC&N area covers approximately 1,925 acres (approximately three square mile). This Engineering Report constitutes Staff's engineering evaluation relative to the rate application.

B. DESCRIPTION OF THE WATER SYSTEM

The plant facilities were field inspected on March 16, 2016, by Utilities Division Staff ("Utilities Staff" or "Staff") Frank Smaila in the accompaniment of Mr. Donald Lane, water system operator.[1]

The operation of the water system consists of one well, one storage tank, one booster pump, one pressure tank, one water load-out station, 14 Point-of Use ("POU") arsenic and fluoride treatment units and a distribution system serving 14 customers during the test year ending December 2015.[2] This system is self-sustaining and does not purchase water from another water system. A system schematic is shown as Figure 3 and a detailed plant facility listing is as follows:

[1] Mr. Lane has been the operator of this system since June 2015.
[2] The water system serves 14 customers, 10 residential and four commercial.

Table 1. Well Site Data

Well Site	Well No. 1	Well No. 2[3]
ADWR No.[4]	55-627209[5]	55-617238
Year Constructed	1970	N/A
Status	Active	Inactive
Casing Size	12 inch	12 inch
Casing Depth	550 ft.	600 ft.
Pump Type	submersible	submersible
Pump Size	10 hp	N/A
Pump Yield	80 gpm	N/A
Meter Size	No Meter	No Meter

Note: feet ("ft."), horsepower ("hp"), gallon ("gal."), gallon per minute ("GPM" or "gpm"), Polyvinyl Chloride ("PVC"), Asbestos Cement ("AC"),Water System ("WS"), Not Available ("N/A"), Lineal Feet ("LF"), inch ("), Cement Asbestos ("CA"), Ductile Iron Pipe ("DIP"), Booster Pump Station ("BPS"), Storage Tank ("ST"), approximately ("~"), Road ("Rd"), Waterline ("WL"), Avenue ("Ave"), Concrete Lined Cylinder ("CLC"), State Route ("SR"), Street ("Str"), temporary ("temp"), Cast Iron ("CI"), Internet Protocol ("IP"), Variable Frequency Drive ("VFD"), Reverse Osmosis ("RO").

Table 2. Storage and Pressure Tank, Water Load-out Station and Booster Pump Data

	Design Capacity	Construction	Installed	Horsepower	Location
Storage Tank	150,000 gal.	Steel	2005	-	Plant Site*
Booster Pump w/80 gal Bladder Tank[6]	60 gpm	-	2015	3 hp	Plant Site**
Pressure Tank	5,000 gal.	Steel	2005	-	Plant Site**
Bulk Water Load-out Station[7]	N/A	Steel	2006	-	Plant Site*

Note: * Storage Tank and Bulk Water Load-out Station located outside of Security Fencing.
** Well, Booster Pump and Pressure Tank located within Security Fencing.

[3] Well No. 2 is not in-service. According to Arizona Department of Water Resources the well is capped.
[4] Arizona Department of Water Resources ("ADWR") Well Identification Number.
[5] Well No. 1 pump last replaced in July 2015. Motor was not replaced.
[6] Booster Pump and Motor replaced June 2015.
[7] Not in-service

Table 3. Water Mains

Diameter	Material	Approximate Length
2 inch	PVC	3,750 ft.
4 inch	PVC	2,350 ft.
6 inch	PVC	24,150 ft.
	Total	**30,250 ft.**

Table 4. Point-of-Use Treatment Data

Model	KP-4 RO	WM-120
Manufacturer	Watts-Premier	Watts-Premier
Operating Pressure Max/Min, psi	85/40	100/20
Storage Tank Capacity/Type	3 gal/Steel	65 gal/Steel
RO Type	4 Stage	5 Stage
Treatment Capacity	35 gpd	120 gpd
NSF Certified for Arsenic/Fluoride Reduction	Yes	Yes

Table 5. Customer Meters

Size	Quantity
5/8 x ¾ inch	14
¾, 1, 1.5, 2 inch	0
Total	**14**

Table 6. Customer Type

Size	Quantity
Residential	10
Commercial	4
Total	**14**

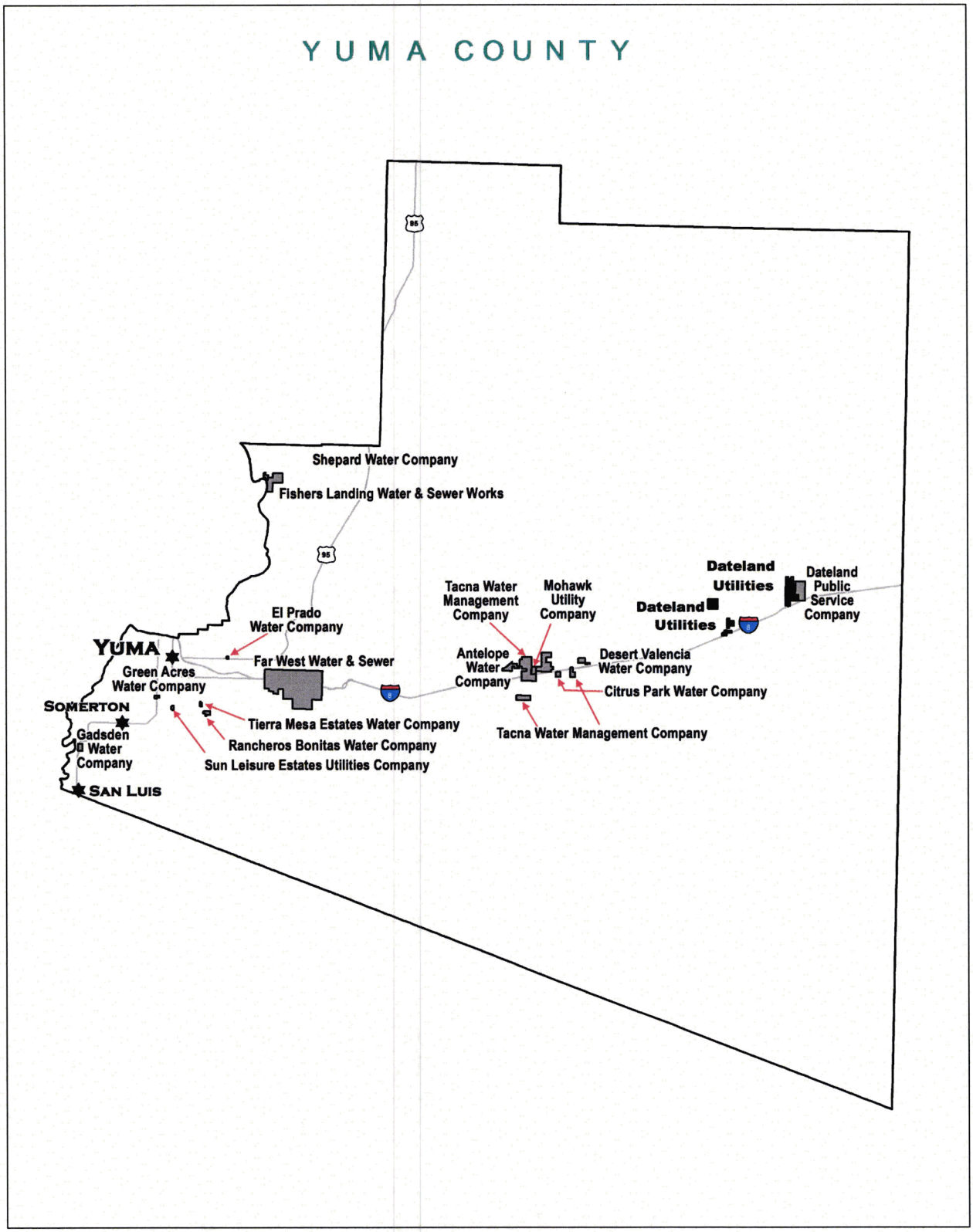

Figure 1. Yuma County Map

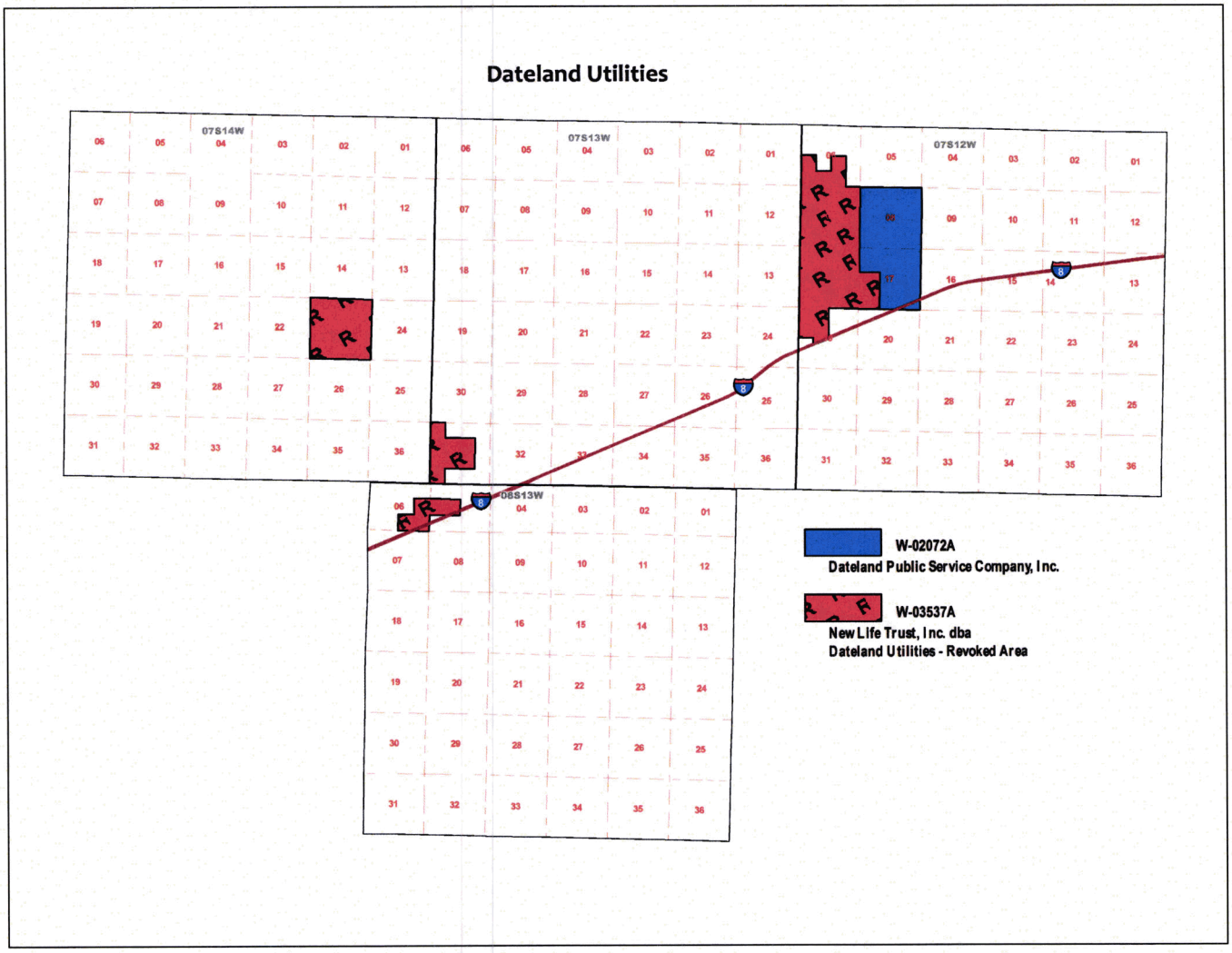

Figure 2. New Life Trust Revoked Area

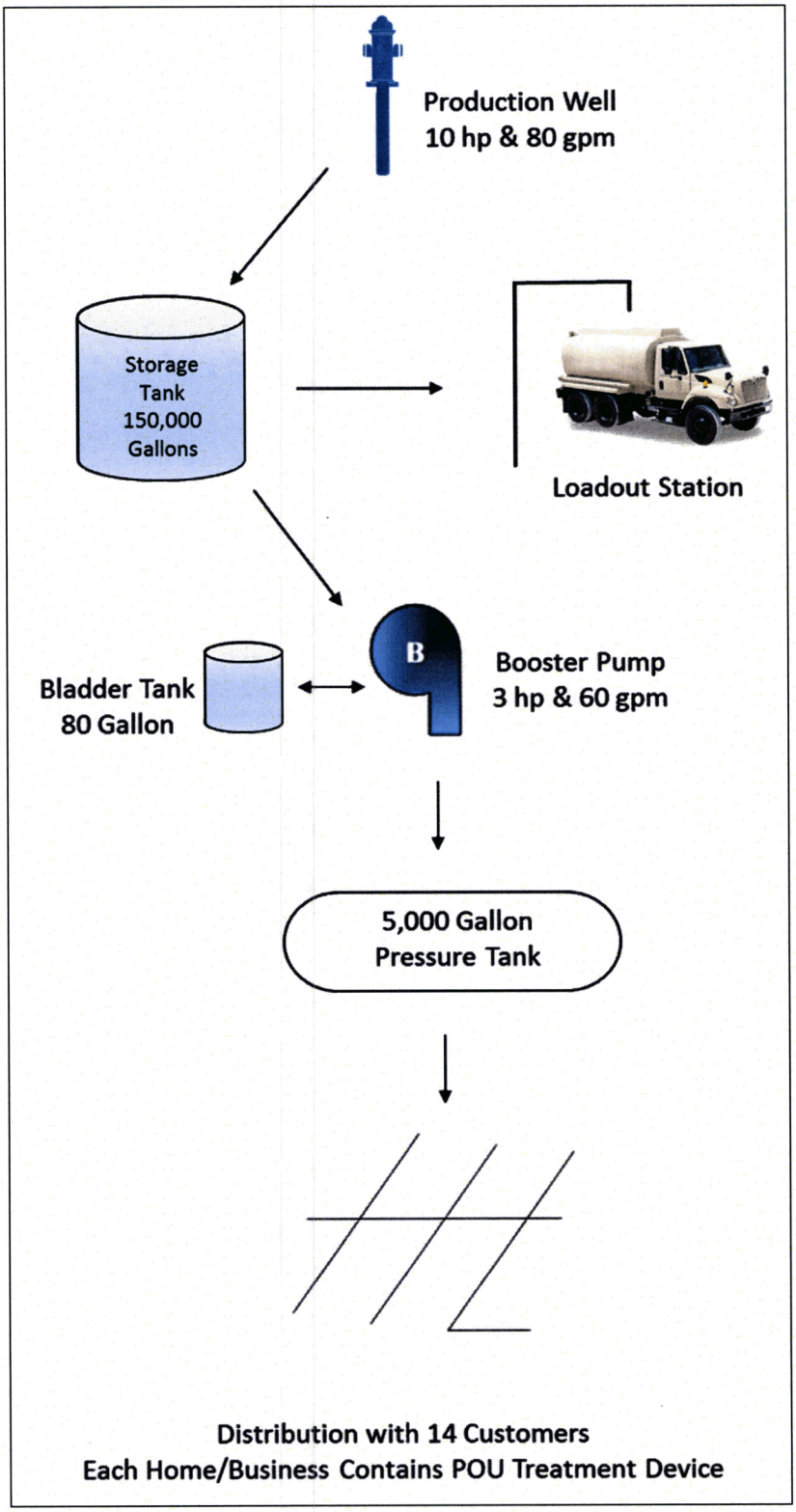

Figure 3. System Schematic

C. WATER USE

Water Sold

Figure 4 presents the water consumption data provided by the Company for the test year ending December 2015. This figure shows the customer consumption experienced a high monthly water use of 219 gallons per day ("gpd") per connection in June and low monthly water use of 76 gpd per connection in January for an average annual use of 143 gpd per connection.

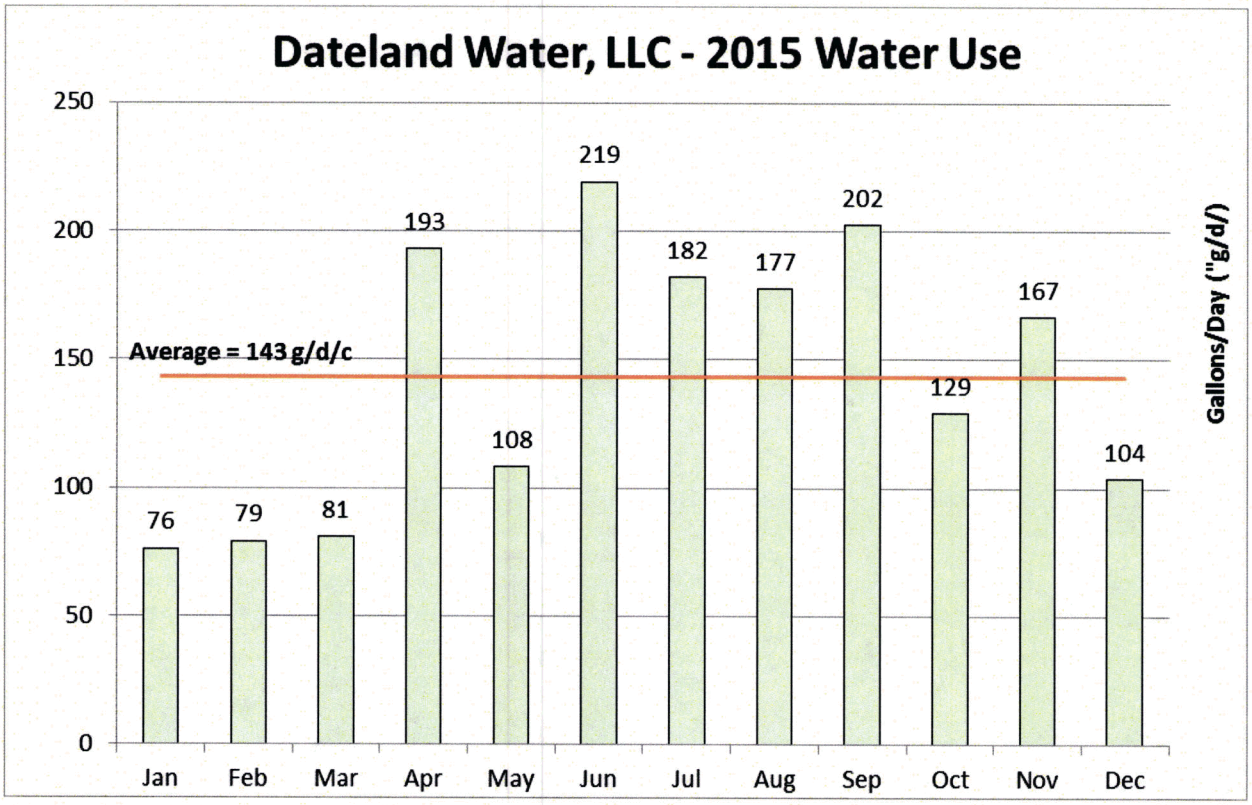

Figure 4. Water Use

Non-Account Water

Non-account water should be 10 percent or less. The water loss for this water system can not be determined because the well does not have a master meter installed. According to the operator the water loss should be very low as very few leaks have occurred.

Staff recommends that the Company install a two inch master meter on the well pump discharge line in order to register gallons pumped and calculate water loss. Staff's estimated cost for the purchase and installation of a new two inch master meter is $2,000.

Staff further recommends that Dateland monitor the water system for an additional 12-month period to prepare an updated water loss report. If the reported water loss is above 10

percent, Dateland shall submit a water loss reduction report containing a detailed analysis and plan to reduce its water loss to 10 percent or less. If Dateland believes it is not cost effective to reduce water loss to 10 percent or less, it shall submit a detailed cost benefit analysis to support its opinion. In no case shall Dateland allow water loss to be greater than 15 percent. The water loss reduction report or the detailed cost benefit analysis, if applicable, shall be docketed as a compliance item within 18 months from the effective date of an order issued in this proceeding.

Staff further recommends that the Company coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form). Staff also recommends that the Company continue to monitor the water system water losses and repair all leaks when discovered and located.

Water Usage

Figure 5 illustrates the amount of water sold over the past 10 years. According to the owner, the substantial increase in sales in years 2010, 2011 and 2012 was due to bulk water sales from the bulk water load-out station to the world war II era airfield that the United States Marine Corps ("Marines") were utilizing during that period.[8] The Marines have not purchased water from the Company since 2012.

[8] Email from Ben Thomas, owner, dated May 20, 2016.

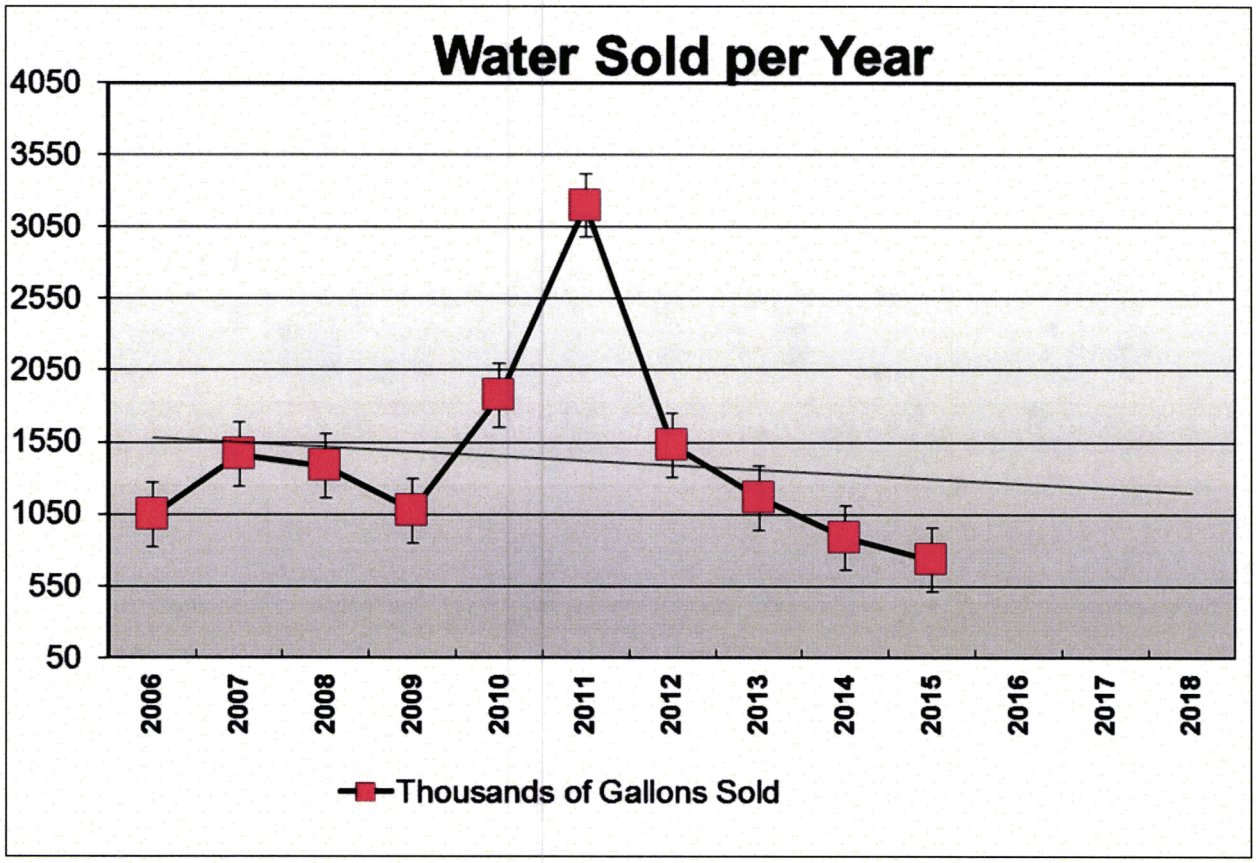

Figure 5. Yearly Water Usage

System Analysis

The current well capacity of 80 gpm and storage tank capacity of 150,000 gallons is adequate to serve the present customer base and reasonable growth.[9] The raw water contains approximately 22 parts per billion ("ppb") arsenic and 4.2 parts per million ("ppm") of Fluoride. The maximum contaminant level ("MCL") for arsenic is 10 ppb and 4.0 ppm for fluoride. MCLs are standards that are set by the United States Environmental Protection Agency ("EPA") for drinking water quality. An MCL is the legal threshold limit on the amount of a substance that is allowed in public water systems under the Safe Drinking Water Act. The current fluoride and arsenic MCLs took effect in 1986 and 2006 respectively.[10]

In March 2010, the Company received a Certificate of Approval of Installation ("AOI") for the installation of 15 POU units to treat arsenic and fluoride levels in drinking water to below MCLs. The POU's were installed under the kitchen sink in each of the customer homes and only treat water used for drinking and/or cooking. The POU's utilize reverse osmosis to remove the

[9] Staff's calculations show that the current Company's production well can service an additional 400 connections and the current storage tank can service an additional 670 connections.
[10] In June 1986, President Reagan signed into law amendments to the Safe Drinking Water Act and in January 2001, President Clinton declared a new arsenic standard of 0.01 mg/L (10 ppb) to take effect January 2006.

contaminants from drinking water. Treatment units are tested annually and maintained according to manufacturer's recommendations. To date all arsenic and fluoride analysis received by ADEQ has been below the respective MCL.

D. GROWTH

The Company provides water service to 10 residential and four commercial customers during the test year 2015. The Company has not experienced any growth since the water system was purchased in 2006. In its application, the Company states "We expect to add two new customers and lose one customer in the next two years for a net of one additional customer." Unfortunately, the Company cannot add additional customers as the Commission in Decision 68656 ordered a moratorium on water service hookups (see Section I.5, Moratorium, for further discussion).

E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ")

Compliance

According to an ADEQ Compliance Status Report, dated May 20, 2016, ADEQ has reported no major deficiencies and has determined that the Company's system, PWS #14-032, is currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

Water Testing Expense

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP").[11] The Company reported its total water testing expense at $1,508.85 during the test year. Staff has reviewed this expense and has recalculated the annual testing expense as shown in Table 7 below:

[11] Participation in the MAP program is mandatory for water systems, which serve less than 10,000 persons (approximately 3,300 service connections).

Table 7. Water Testing Expense

Monitoring	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual cost
Total coliform – monthly	$30	36	$1,080	$360
MAP – IOCs, Radiochemical, Nitrate, Nitrite, Asbestos, SOCs & VOCs *	$290	3	$870	$290
Arsenic – Quarterly	$21	12	$252	$84
Fluoride – Quarterly (With Environmental Fee)**	$25 $5	12 1	$300 $5	$100 $2
Lead & Copper – per 3 years (With Environmental Fee)**	$21 $11	10 1	$210 $11	$70 $4
Total				**$910**

Note*: The ADEQ MAP invoice for 2015 Calendar Year was $289.93.
Note**: Environmental Fee of $5 for Arsenic/Fluoride and $10.50 for Lead & Copper.[12]

Staff recommends an annual water testing expense of $910 be used for purposes of this application.

F. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR")

Compliance

The Company is not located in an ADWR Active Management Area ("AMA"). According to an ADWR Water Provider Compliance Report, dated January 20, 2016, the Company is currently compliant with ADWR's requirements governing water providers and/or community water systems.

G. ACC COMPLIANCE

On January 14, 2016, the Utilities Division compliance database showed that the Company had no delinquent ACC compliance items.

H. DEPRECIATION RATES

The Company has been using Staff's typical and customary depreciation rates. These depreciation rates are presented in Table 8 below and it is recommended that the Company continue to use these depreciation rates.

[12] According to the laboratory, Agri Trend Lab & Consulting, Inc., the Environmental Fee is "based on 5% total cost of testing with a minimal fee of at least $5.00."

Table 8. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.50
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.00
320.3	Point-of-Use Treatment Devices	10	10.00
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc. Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00

I. OTHER ISSUES

1. Service Line and Meter Installation Charges

The Company proposed changes to its existing service line and meter installation charges.[13] The proposed charges are refundable advances and are similar to Staff's typical range of charges for service line and meter installations, therefore Staff recommends approval of the Company's proposed total charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Staff developed separate service line and meter installation charges using the Company's proposed total charges. Staff recommends the service line and meter installation charges listed under "Staff's Recommended Charges" in Table 9 be adopted.

Table 9. Service line and meter installation charges

Meter Size	Company's Current Charges	Company's Requested Charges	Staff's Recommended Charges		
			Service Line Charges	Meter Charges	Total Charges
5/8" x ¾"	$330	$600	$474	$126	$600
¾"	$375	$650	$442	$208	$650
1"	$440	$750	$488	$262	$750
1-1/2"	$660	$1,000	$550	$450	$1,000
2"	$1,155	$2,600	$1,222	$1,378	$2,600
3"	$1,625	$3,500	$1,435	$2,065	$3,500
4"	$2,540	$4,500	$1,755	$2,745	$4,500
6"	$4,875	$7,500	$2,475	$5,025	$7,500

2. Curtailment Tariff

The Company has an approved curtailment tariff on file with an effective date of June 1, 2006.

3. Backflow Prevention Tariff

The Company has an approved backflow prevention tariff on file with an effective date of May 4, 2016.

4. CC&N

In Decision 65649, the Commission revoked New Life CC&N for failing to file its 2001 annual report. The CC&N was still revoked when the Company purchased New Life in 2006. In Decision 68656, the Commission ordered Staff to file a recommendation regarding whether the

[13] The Company's current charges were approved in ACC Decision No. 61370, dated January 29, 1999 for the previous Company, New Life Trust, Inc.

prior CC&N granted to New Life should be reinstated or a recommendation on whether a new CC&N should be granted. In September 2007, Staff recommended that the Company file for a new CC&N that includes only those areas where the Company is providing service or where it has installed facilities to provide service. The Company failed to file for reinstating the CC&N or for a new CC&N.

Staff recommends that Dateland file for a new CC&N that includes only the areas where the company is presently providing service and where the company has received a request for service and plans to provide service in the near future.

5. Moratorium

In Decision 68656, the Commission approved the sale of New Life assets to Dateland Water, LLC with conditions. ADEQ determined that the Company was delivering water that did not meet water quality standards required by the Arizona Administrative Code ("AAC").[14] The Commission ordered the Company to file, as a compliance item, an Approve to Construct ("ATC") permit issued by ADEQ for its proposed water treatment plant. The Commission also ordered that a moratorium on water service hookups shall remain in effect until further order by the Commission.

The Company chose to install POU units in each home and business instead of constructing a centralized treatment plant. The Company received an AOI[15] in March of 2010, for the installation of 15 POU units to treat raw water that does not meet MCLs for arsenic and fluoride. According to ADEQ the Company is delivering water that meets water quality standards with the installation of POU devices in each home and business. The current well capacity of 80 gpm and storage tank capacity of 150,000 gallons is adequate to serve the present customer base and reasonable growth. Therefore, Staff recommends that the moratorium on water service hookups be rescinded.

6. Bulk Water Load-out Station

The Company constructed a bulk water load-out station in 2006. It was constructed due to requests for bulk water from contractors and the Marines who maintained a private gravel world war II era airport located nearby. According to the owner, the Marines have not requested bulk water since the airport was purchased by another individual in 2013. The new owner refuses to allow the Marines to utilize the facility.[16]

The raw water supplied to the distribution system and bulk water load-out station contains high levels of arsenic and fluoride and is not approved for potable use without treatment. The owner states that the bulk water load-out station only provided water for construction purposes and

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[14] Results showed that the Company's raw water exceeded the MCL for arsenic and fluoride.
[15] POU Program AOI certificate is equivalent to the Approval of Construction ("AOC") Permit.
[16] Ben Thomas, water system owner, response to bulk water load-out station questions by Tanya Pitre, ACC Finance & Rate Analyst, dated January 26, 2016.

has never served potable water.[17] The potential exists where water from the bulk water load-out station could be used for potable use. The bulk water load-out station does not include a master meter and sold water is calculated by multiplying the capacity of the water truck and the number of loads.

The bulk water load-out station must be constructed with required safety measures to prevent contamination of the potable water supply. According to ADEQ Bulletin 10[18], to prevent contamination of the potable water supply a device shall be installed on the fill line to provide an air break and prevent submergence of the discharge line.[19]

If the Company chooses to retain the bulk water load-out station Staff recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation from ADEQ indicating that the bulk water load-out station meets the criteria set forth in ADEQ Engineering Bulletin No. 10, Guidelines for the Construction of Water Systems, May 1978 ("Bulletin 10"). Staff further recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation that signage was placed at the bulk water load-out station stating "**NOT FOR POTABLE USE**". Staff further recommends that the Company install a master meter on the bulk water load-out station to accurately measure the bulk water sold.

If Dateland chooses not to retain the bulk water load-out station, Staff recommends that the Company file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation demonstrating that the Company severed the bulk water load-out station from the water system.

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[17] Ben Thomas, water system owner, response to bulk water load-out station questions by Staff, email dated May 25, 2016.

[18] ADEQ Engineering Bulletin No. 10, Guidelines for the Construction of Water Systems, May 1978 ("Bulletin 10") Chapter 7.K, Water Loading Stations.

[19] ADEQ does not have record that Dateland is operating a bulk water load-out station.